



## NOTICE OF ANNUAL GENERAL MEETING

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the shareholders of ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED will be held at the following time and place:

**Time:** 9.30 am

**Date:** Tuesday 24 April 2018

**Place:** Barnet Room, The Westin Hotel, No 1 Martin Place,  
Sydney, NSW, 2000 Australia

## ORDINARY BUSINESS:

### 1. Consideration of Financial Statements

*"To receive and consider the Financial Report, Directors' Report and Auditor's Report for the financial year ended 31 December 2017."*

### 2. Appointment of Mr Ian Dennis as a Director

To consider and if thought fit to pass the following resolution as an ordinary resolution:

*"That Mr Ian Dennis, who retires by rotation in accordance with the provisions of the Constitution of the Company, and, being eligible, be re-elected as a Director of the Company"*

### 3. Appointment of Mr Geoff Brown as a Director

To consider and if thought fit to pass the following resolution as an ordinary resolution:

*"That Mr Geoff Brown, who retires by rotation in accordance with the provisions of the Constitution of the Company, and, being eligible, be re-elected as a Director of the Company"*

### 4. Appointment of Ms Kate Lundy as a Director

To consider and if thought fit to pass the following resolution as an ordinary resolution:

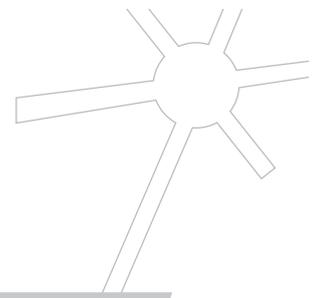
*"That Ms Kate Lundy, who was appointed as an additional director on 23 March 2018 retires in accordance with the provisions of the Constitution of the Company, and, being eligible, be re-elected as a Director of the Company"*

### 5. Remuneration Report

To consider and if thought fit to pass the following resolution as an ordinary resolution:

*"That the Remuneration Report section of the Directors' Report for the Company for the year ended 31 December 2017 be adopted."*

# NOTICE OF ANNUAL GENERAL MEETING



## 6. Ratification of Share Placement and Refreshing of 15% limit

To consider and if thought fit to pass the following resolution as an ordinary resolution:

*“That for the purposes of ASX Listing Rule 7.4 and all other purposes this meeting approves and ratifies the allotment and issue by the Company of 10,147,123 fully paid ordinary shares in the Company to sophisticated and professional investor clients of Petra Capital Pty Ltd.”*

## 7. Loan Funded Share Plan Approval

To consider and if thought fit, pass with or without amendment the following resolutions as ordinary resolutions:

7.1 *“That all issues of securities under the Electro Optic Systems Holdings Ltd Loan Funded Share Plan be approved as an exception to ASX Listing Rule 7.1 pursuant to Exception 9 in ASX Listing Rule 7.2.”*

7.2 *“That the terms of the Electro Optic Systems Holdings Ltd Loan Funded Share Plan, as described in the attached Explanatory Memorandum which accompanies this Notice of Meeting, be approved for the purposes of sections 257B, 259B and 260C of the Corporations Act 2001 (Cth) and for all other purposes.”*

7.3 *“That the giving of benefits under the Electro Optic Systems Holdings Ltd Loan Funded Share Plan to a person by the Company in connection with that person ceasing to hold a managerial or executive office in the Company, as described in the attached Explanatory Memorandum which accompanies this Notice of Meeting, be approved for the purposes of sections 200B and 200E of the Corporations Act 2001 (Cth) and for all other purposes.”*

## 8. Loan Funded Share Plan Approval for Fred Bart

To consider and if thought fit, pass with or without amendment the following resolution as an ordinary resolution:

*“For the purposes of ASX Listing Rule 10.14 and all other purposes, Mr Fred Bart be authorised to participate in the Loan Funded Share Plan by purchasing 200,000 new ordinary shares on the terms and conditions set out in the attached Explanatory Memorandum which accompanies this Notice of Meeting.*

## 9. Loan Funded Share Plan Approval for Ben Greene

To consider and if thought fit, pass with or without amendment the following resolution as an ordinary resolution:

*“For the purposes of ASX Listing Rule 10.14 and all other purposes, Mr Ben Greene be authorised to participate in the Loan Funded Share Plan by purchasing 2,000,000 new ordinary shares on the terms and conditions set out in the attached Explanatory Memorandum which accompanies this Notice of Meeting.*

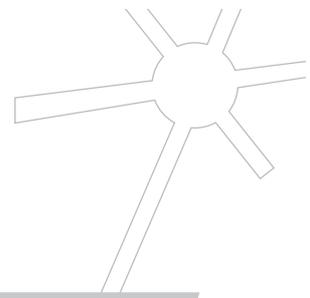
## 10. Loan Funded Share Plan Approval for Peter Leahy

To consider and if thought fit, pass with or without amendment the following resolution as an ordinary resolution:

*“For the purposes of ASX Listing Rule 10.14 and all other purposes, Mr Peter Leahy be authorised to participate in the Loan Funded Share Plan by purchasing 200,000 new ordinary shares on the terms and conditions set out in the attached Explanatory Memorandum which accompanies this Notice of Meeting.*

# NOTICE OF ANNUAL GENERAL MEETING

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## 11. Loan Funded Share Plan Approval for Ian Dennis

To consider and if thought fit, pass with or without amendment the following resolution as an ordinary resolution:

*"For the purposes of ASX Listing Rule 10.14 and all other purposes, Mr Ian Dennis be authorised to participate in the Loan Funded Share Plan by purchasing 200,000 new ordinary shares on the terms and conditions set out in the attached Explanatory Memorandum which accompanies this Notice of Meeting.*

## 12. Loan Funded Share Plan Approval for Geoff Brown

To consider and if thought fit, pass with or without amendment the following resolution as an ordinary resolution:

*"For the purposes of ASX Listing Rule 10.14 and all other purposes, Mr Geoff Brown be authorised to participate in the Loan Funded Share Plan by purchasing 200,000 new ordinary shares on the terms and conditions set out in the attached Explanatory Memorandum which accompanies this Notice of Meeting.*

## 13. Loan Funded Share Plan Approval for Kate Lundy

To consider and if thought fit, pass with or without amendment the following resolution as an ordinary resolution:

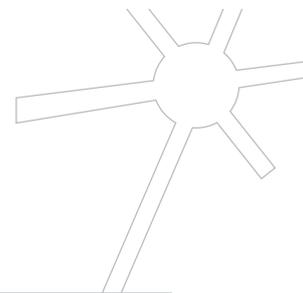
*"For the purposes of ASX Listing Rule 10.14 and all other purposes, Ms Kate Lundy be authorised to participate in the Loan Funded Share Plan by purchasing 200,000 new ordinary shares on the terms and conditions set out in the attached Explanatory Memorandum which accompanies this Notice of Meeting.*

DATED: 26 March 2018

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read 'I A Dennis'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**I A Dennis**  
**Company Secretary**



# VOTING EXCLUSION STATEMENTS

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## Item 5 - Remuneration Report

The Company will disregard any votes cast on this resolution by, or on behalf of, a member of the Company's key management personnel (**KMP**), details of whose remuneration are included in the Remuneration Report for the year ended 31 December 2017 or a closely related party of a KMP whether the votes are cast as a shareholder, proxy or in any other capacity. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of KMP include its directors and certain senior executives.

## Item 6 - Ratification of Share Placement

The Company will disregard any votes cast on this resolution by any person who participated in the placement and any associate of those persons. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Item 7 - Loan Funded Share Plan Approval

On resolutions 7.1, 7.2 and 7.3, the Company will disregard any votes cast on those resolutions by any of the six directors or 10 employees who have been identified by the Board as initial Participants and any associate of those persons. However the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

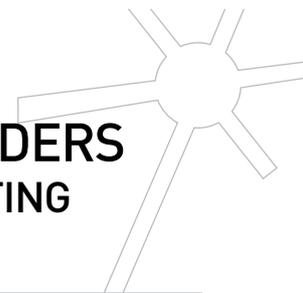
## Items 8-13 - Ratification of participation in the Loan Funded Share Plan by Directors

The Company will disregard any votes cast by the six directors of the Company (as currently eligible to participate in the Loan Funded Share Plan) and any associates of those persons with respect to the following resolutions:

- Fred Bart (resolution 8)
- Ben Greene (resolution 9)
- Peter Leahy (resolution 10)
- Ian Dennis (resolution 11)
- Geoff Brown (resolution 12)
- Kate Lundy (resolution 13)

However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

# EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING



This Memorandum has been prepared for the information of shareholders of Electro Optic Systems Holdings Limited (**Company**) in connection with the business to be conducted at the Annual General Meeting of the members of the Company on Tuesday 24 April 2018.

## 1. Item 1 - Financial Report

The *Corporations Act 2001* (Cth) (Corporations Act) requires the financial report (which includes the financial statements and directors' declaration), the directors' report and the auditor's report for the last financial year to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution of the Company for shareholders to approve the financial report, the directors' report or the auditor's report. Shareholders will have reasonable opportunity at the meeting to ask questions and make comments on these reports and on the business and operations of the Company.

## 2. Item 2 - Re-election of Mr Ian Dennis as a Director

Appointed to the Board on 8 May 2000.

Non-executive director (Age 60) Ian is a Chartered Accountant with experience as director and secretary in various public listed companies and unlisted technology companies in Australia and overseas. He has been involved in the investment banking industry and stockbroking industry for the past twenty five years. Prior to that, he was with KPMG, Chartered Accountants in Sydney. He is a member of the Audit Committee and Remuneration Committee. He is also company secretary of the Company.

## 3. Item 3 - Re-election of Mr Geoffrey Brown as a Director

Appointed to the Board on 21 April 2016.

Non-executive director (Age 59). Appointed to the Board on 21 April 2016. Geoff Brown AO retired from the Royal Australian Air Force in July 2015 as Air Marshal in the position of Chief of Air Force. Among his qualifications he holds a BEng (Mech), a Master of Arts (Strategic Studies), Fellow of the Institute of Engineering Australia and is a Fellow of the Royal Aeronautical Society. He is a Director of Lockheed

Martin (Australia) Pty Limited, Chairman of the Sir Richard Williams Foundation and Chairman of the Advisory Board of CAE Asia Pacific. He is a member of the Audit Committee of the Company.

## 4. Item 4 - Re-election of Ms Kate Lundy as a Director

Kate Lundy was appointed to the Board on 23 March 2018 to fill a casual vacancy and now stands for re-election.

Having served as Senator in the Federal Parliament for nearly 20 years, Kate Lundy continues to be passionate about technology and innovation, having resigned from Parliament three years ago. Kate's focus is the positive impact of technology on society, culture and the economy. In 2017, the Australian National University awarded her a Doctor of Letters (honorary doctorate) for her "exceptional contributions to advocacy and policy for information communications and technology, for the ACT and nationally."

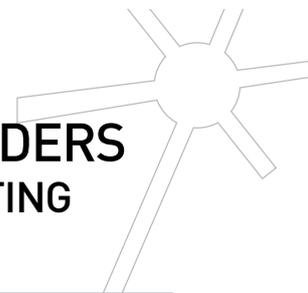
Kate served as a Senator representing the Australian Capital Territory from 1996 to 2015. During this time she held various front bench positions in both Government and Opposition, including the Minister for Sport, Multicultural Affairs and Assisting on Industry and Innovation and the Digital Economy.

In 2017 Ms Lundy was inducted into the Pearcey Hall of Fame for "distinguished achievement and contribution to the development and growth of the Information and Communication Technology Industry". The Pearcey Foundation is named in honour of Dr Trevor Pearcey, an outstanding Australian ICT Pioneer, notable for his leadership of the project team that built one of the world's earliest digital computers, the CSIR Mark 1, later known as CSIRAC.

Kate holds a number of directorships including the Cyber Security Research Centre, the National Roads and Motoring Association, the Australian Grand Prix Corporation, the Australian Sports Technology Network and her own consulting company, Technology Innovation Partners Pty Ltd. Kate recently joined the board of the National Youth Science Forum.

Kate is currently appointed as the ACT Defence Industry Advocate with a regional strategic focus on Space related technologies, cyber, simulation, systems integration, services and skills development.

# EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING



## 5. Item 5 - Remuneration Report

The Annual Report for the year ended 31 December 2017 contains a Remuneration Report which sets out the remuneration policy of the Company and the remuneration arrangements in place with the Directors.

Under the provisions of the Corporations Act 2001, the shareholder vote is advisory only and will not require the Company to alter any arrangements detailed in the Remuneration Report, should the resolution not be passed. Notwithstanding the legislative effect of this requirement, the Board has determined that it will take the outcome of the vote into consideration when considering the remuneration policy.

## 6. Item 6 - Ratification of Share Placement

The resolution refers to ASX Listing Rule 7.4 and the Company's previous issue of 10,471,434 ordinary shares. This rule enables the Company to restore its ability to issue securities within the 15% limit prescribed by Listing Rule 7.1 by obtaining Member ratification of an issue previously made within that limit provided that the issue did not breach ASX Listing Rule 7.1. The Company confirms that the issue of the 10,471,434 ordinary shares did not breach ASX Listing Rule 7.1.

The following information is provided to Shareholders for the purposes of ASX Listing Rule 7.5:

- (1) On 16 March 2018 the Company issued 10,147,123 new ordinary shares;
- (2) The shares were issued at \$2.91 each, raising a total of \$29,528,127.93 (before costs);
- (3) The shares are fully paid ordinary shares that rank equally in all respects with the Company's existing ordinary shares;
- (4) The shares were issued to sophisticated and professional investor clients of Petra Capital Pty Ltd;
- (5) The net funds raised from the placement will be applied by the Company towards working capital and will also be applied to future research and development;

## 7. Item 7 - Loan Funded Share Plan Approval

The Board has established a new employee incentive scheme known as the Electro Optic Systems Holdings Ltd Loan Funded Share Plan (**LFSP**), pursuant to which fully paid ordinary shares in the Company (**Shares**) are acquired by selected Directors and employees of the Company using a loan made to them by the Company.

Subject to shareholder approval of the LFSP under resolutions 7.1, 7.2 and 7.3, the Board has identified six directors and 10 employees as initial participants in the LFSP and has decided that the initial participants will in total acquire 5,400,000 Shares.

The current number of ordinary shares outstanding is 90,923,879 shares with 5,620,000 fully vested options outstanding at an exercise price of \$3.00 exercisable on or before 31 January 2019. Should all the outstanding options be exercised on or before 31 January 2019 and the shareholder approval for the issue of 5,400,000 shares under the LFSP is received the fully diluted number of shares will be 101,943,879 ordinary shares.

### **Rationale for the LFSP**

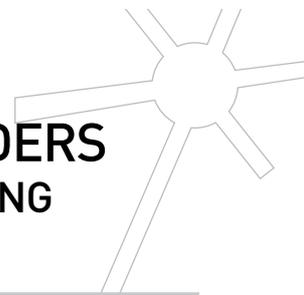
The Board believes that the LFSP will:

- (a) encourage participants to focus on creating value for shareholders;
- (b) link reward with the achievement of long-term performance by the Company;
- (c) encourage participants to remain with the Company by providing them with the opportunity to hold a financial stake in the Company; and
- (d) assist in the Company attracting high calibre Directors and employees.

### **Key features of the LFSP**

Directors and full-time and part-time employees of the Company or any of its subsidiaries (**Participants**), who are selected by the Board, will be eligible to participate in the LFSP. Offers of Shares under the LFSP are economically equivalent to an award of options.

# EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING



Participants are permitted to purchase a specified number of Shares which are subject to conditions to be determined by the Board.

The Board may determine that Shares to be granted to Participants will be subject to:

- (a) 'Vesting Conditions'; and
- (b) 'Forfeiture Conditions',

which must be detailed in the invitations made to Participants.

The nature, content and period of the 'Vesting Conditions' are to be determined by the Board and may include conditions relating to any or all of:

- (a) continuing employment /engagement of services with the Company;
- (b) performance of the Participant;
- (c) performance of the Company; or
- (d) the occurrence of specific events.

Unless determined otherwise by the Board, while Shares are held by a Participant under the LFSP, they are subject to forfeiture if any of the following 'Forfeiture Conditions' are satisfied:

- (a) if the Participant breaches any term of the loan agreement between the Participant and the Company;
- (b) if the Participant ceases to be employed or provide services to the Company, but only in certain circumstances set out in the rules of the LFSP; or
- (c) if, in the opinion of the Board, any of the Vesting Conditions have not been or cannot be satisfied for any reason.

Upon forfeiture, if the applicable 'Vesting Conditions' are satisfied, the Participant will be permitted to retain those Shares which have vested provided they repay the loan owing on those Shares.

## **Loan terms**

Each Participant will be invited to purchase Shares using loan funds under a loan agreement with the Company (**Loan**). The Loan must always be repaid if the Participant wishes to benefit from the Shares. A Participant only benefits from growth in the Company's share price.

The Loans to be made under the LFSP will be:

- (a) limited recourse in nature, meaning that if the market value of the Shares is less than the loan value at the end of the term of the Loan, the Participant cannot be forced to repay the remaining Loan balance out of their own funds;
- (b) interest-free and fee free; and
- (c) repayable in full on the earlier of the termination date of the Loan (5 years from the date it is made) or the date on which the Shares are sold in accordance with the terms of the rules of the LFSP.

In the event that any of the 'Forfeiture Conditions' are satisfied or the Vesting Conditions are not met, or Shares do not vest for any other reason, the Shares may be bought-back by the Company and the proceeds used to repay the Loan, such that the Participant receives no gain from the LFSP.

## **Other features of the LFSP structure**

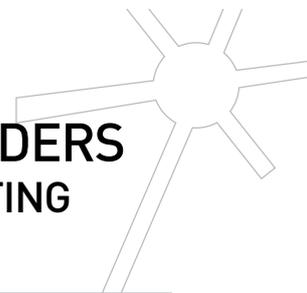
Shares are held in an employee share trust, on behalf of Participants, until all Vesting Conditions are satisfied in accordance with their terms of issue and the Loan relating to the Shares is repaid in full.

If the Company pays dividends or make capital distributions, the after-tax value of any dividends paid or distributions made to a Participant will be applied to repay the Loan. The balance (i.e., the estimated value of the tax payable by the Participant on the dividend or distribution) is paid to the Participant to allow them to fund their tax liability on the dividend or distribution.

At the end of the period for the Vesting Conditions and subject to continuous employment or engagement of services with the Company, the Participants are able to dispose of their Shares on repayment of any outstanding Loan balance. However, the Board may impose sale restrictions on the Shares for a period of time after vesting.

All unvested Shares will automatically vest in the event of a change in control of the Company.

# EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING



## **Resolution 7.1 - Approval for the purposes of the ASX Listing Rules**

Under ASX Listing Rule 7.1, a listed company must not issue or agree to issue equity securities exceeding 15% of its ordinary securities on issue in the previous 12 months unless it obtains the approval of its shareholders. An exception to ASX Listing Rule 7.1 is that any issue under an employee incentive scheme within three years of the scheme being approved by members will not be counted when determining whether the 15% limit has been exceeded (Exception 9 in ASX Listing Rule 7.2).

Accordingly, shareholders are asked to approve the LFSP, under which Participants may acquire Shares, so that any Shares issued under the LFSP are approved as an exception to ASX Listing Rule 7.1.

## **Resolution 7.2 - Approval for the purposes of sections 257B, 259B and 260C of the Corporations Act**

### **(a) Employee share scheme buy-back**

Section 257B(1) of the Corporations Act sets out the shareholder approval requirements and the procedures for implementing various forms of share buy-back, including an 'employee share scheme buy-back'. In order for the Company to undertake a buy-back of Shares under the LFSP (eg in situations where Shares are forfeited by Participants in accordance with their terms of issue) using the employee share scheme buy-back procedure under the Corporations Act, the LFSP must be approved by shareholders.

Accordingly, shareholders are asked to approve the LFSP, under section 257B(1) of the Corporations Act in order for the Company to undertake a buy-back of Shares under the LFSP using the employee share scheme buy-back procedure.

### **(b) Enable the Company to take security over its own shares**

Section 259B(1) of the Corporations Act prohibits a company taking security over shares in itself or in a company that controls it, unless one of the exceptions in subsections 259B(2) or 259B(3) applies. Section 259B(2) provides that a company may take security over shares in itself under an employee share scheme that has been approved by a resolution passed at a general meeting of the company.

Although the Company does not intend to take security over its Shares as part of any offer under the LFSP, shareholders are asked to approve the LFSP, under section 259B(2) of the Corporations Act, in order for the Board to have the flexibility to do so in its operation of the LFSP.

### **(c) Financial assistance**

Section 260A of the Corporations Act provides that a company may financially assist a person to acquire shares in the company or a holding company of the company only if:

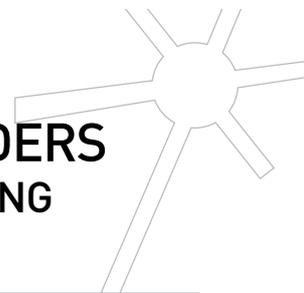
- giving the assistance does not materially prejudice the interests of the company or its shareholders or the company's ability to pay its creditors; or
- the assistance is approved by shareholders under section 260B; or
- the assistance is exempted under section 260C.

Section 260C of the Corporations Act provides for certain specific instances of exempted financial assistance, including a special exemption for employee share schemes that have been approved by a resolution passed at a general meeting of the company (section 260C(4)).

As an integral feature of the LFSP, the Company will provide financial assistance to Participants to acquire Shares in the form of Loans, which will be interest- and fee-free, limited recourse loans.

Whilst the Board does not believe that the provision of financial assistance to Participants to enable them to participate in the LFSP will materially prejudice the interests of the Company or its shareholders or the Company's ability to pay its creditors, shareholders are asked to approve the LFSP under section 260C(4) of the Corporations Act so that there is no doubt that the provision of financial assistance will comply with section 260A of the Corporations Act.

# EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING



## **Resolution 7.3 - Approval of potential termination benefits for the purposes of Section 200B and Section 200E of the Corporations Act**

Section 200B of the Corporations Act restricts the benefits that can be given to persons who hold a 'managerial or executive office' (as defined in the Corporations Act) on leaving their employment with a company. Specifically, a company may only give a person a benefit in connection with them ceasing to hold a managerial or executive office in the company if the benefit is approved by shareholders, under section 200E of the Corporations Act, or an exception under section 200F, 200G or 200H of the Corporations Act applies.

The term 'benefit' has a wide meaning and may possibly include benefits resulting from the Board exercising discretions under the rules of the LFSP when a Participant ceases to be employed by the Company.

Specifically, where a Participant has ceased their employment before their Shares have vested, the Board may in certain circumstances exercise its discretion to determine that some or all of the Shares will vest (and determine the basis on which vesting will occur), having regard to the relevant performance hurdles at the time the Participant's employment ceases. The exercise of these discretions may constitute a 'benefit' for the purposes of section 200B of the Corporations Act.

The Board, therefore, seeks shareholder approval for the exercise of the Board's discretion in respect of any Participant in the LFSP who holds:

- (a) a managerial or executive office in the Company at the time of cessation of their employment or at any time in the preceding three years; and
- (b) unvested Shares under the LFSP at the time of cessation of their employment.

Provided shareholder approval under section 200E of the Corporations Act is given, the value of these benefits will not be counted towards the cap in the termination benefits that can be given to a Participant without shareholder approval under section 200F or section 200G of the Corporations Act.

The Board does not, however, have discretion to vest any Shares if the Participant is a 'Bad Leaver' under

the rules of the LFSP. The Board will determine if a Participant is a Bad Leaver, which could include a person who has been dismissed for fraudulent or dishonest behaviour, who has engaged in grave misconduct or recklessness in the discharge of their duties, or who has committed any serious breach of their employment agreement. In those circumstances, the Participant's unvested Shares will be automatically forfeited.

The Board is only permitted to exercise this discretion to vest any Shares in a 'Good Leaver' or a 'Leaver' scenario. The Board will determine if a Participant is a Good Leaver, which could include a person whose employment ceases in certain defined circumstances such as redundancy, retirement by agreement of the Board, death, ill-health or permanent disability. If the Board determines that a Participant is neither a Good Leaver nor a Bad Leaver, they will be considered a Leaver.

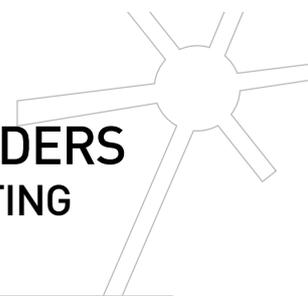
The value of the termination benefits that the Board may give, by exercising its discretion to vest any Shares under the LFSP, cannot be determined in advance. This is because various matters will or are likely to affect that value. In particular, the value of a particular benefit will depend on factors such as the Company's share price at the time of vesting and the number of Shares that the Board decides to vest.

The following additional factors may also affect the benefit's value:

- (a) the Participant's length of service and the portion of any relevant performance periods that have expired at the time they cease employment;
- (b) the Participant's total fixed remuneration at the time grants are made under the LFSP and at the time they cease employment; and
- (c) the number of unvested Shares that the Participant holds at the time they cease employment.

Accordingly shareholders are asked to approve, under section 200E of the Corporations Act, the giving of any benefits under the LFSP to a Participant ceasing to hold a managerial or executive office in the Company for the purpose of the Company complying with section 200B of the Corporations Act.

# EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING



## 8 - 13. Items 8, 9, 10, 11, 12 and 13 - Approval of participation in the Loan Funded Share Plan by Fred Bart, Ben Greene, Peter Leahy, Ian Dennis, Geoff Brown and Kate Lundy

The Board proposes to issue Shares under the LFSP to the Company's CEO and Managing Director, Ben Greene.

The Board also proposes to issue Shares under the LFSP to the following non-executive Directors:

- Fred Bart (Chairman)
- Peter Leahy
- Ian Dennis
- Geoff Brown
- Kate Lundy

The terms of the Shares proposed to be issued to Directors are set out below.

### ***Rationale for issue of Shares to Directors under the LFSP***

As discussed in the above Section 7 on the rationale for the LFSP, Ben Greene's participation in the LFSP will tie Mr Greene's remuneration to the long-term performance of the Company and, the Board believes, encourage him to focus on creating value for shareholders and to remain with the Company.

The rationale for participation by non-executive Directors is to ensure a unified team approach to achieving common objectives.

### ***Approval for the purposes of the ASX Listing Rules***

ASX Listing Rule 10.14 provides that an entity must only allow Directors or their associates to acquire securities under an employee incentive scheme with the approval of shareholders and provided the Notice of Meeting complies with the requirements set out in ASX Listing Rules 10.15 or 10.15A.

The LFSP is an employee incentive scheme for the purposes of the ASX Listing Rules.

The Board proposes to invite Ben Greene and the abovenamed non-executive Directors to purchase shares under the LFSP, and therefore seeks shareholder approval under ASX Listing Rule 10.14.

### ***Approval for the purposes of the Corporations Act***

The Board considers that the participation by Directors in the LFSP and the provision of a Loan to Directors to enable them to acquire Shares constitutes the giving of a financial benefit to a related party of the Company under Part 2E.1 of the Corporations Act. For the sake of completeness, the Board has decided to seek the requisite approval of the shareholders at the AGM in accordance with the requirements under Part 2E.1.

### ***Terms on which the Shares will be issued to Directors***

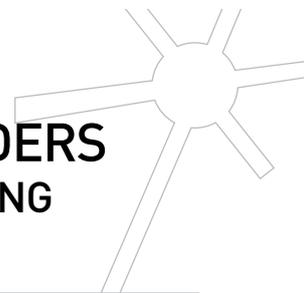
The Shares proposed to be issued to Directors will be subject to both 'Vesting Conditions' and 'Forfeiture Conditions'. Directors will be required to satisfy the Vesting Conditions in order for their Shares to vest. While Directors hold their Shares, they will be subject to Forfeiture Conditions and Directors will forfeit their Shares if either they fail to satisfy the Vesting Conditions or they cease to be employed or continue to provide services to EOS or a group company in certain circumstances.

Once the Vesting Conditions have been satisfied, removed or lifted, the Shares become vested and Directors may deal with them in accordance with the rules of the LFSP subject to sale restrictions and other legal restrictions (such as under the Company's trading policy).

The Shares will vest at the end of each 'Vesting Period' in the manner set out in the tables below, provided that the following conditions are met:

- (a) Directors continue to provide services to EOS on each of the vesting dates (or such other date on which the Board makes a determination as to whether the Vesting Condition has been met); and
- (b) the performance hurdles set out below are satisfied, which relate to the Company's earnings before income tax (**EBIT**) and the Company's share price. Notably, EBIT and share price hurdles must both be achieved in order for Shares to vest under each Tranche.

# EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING



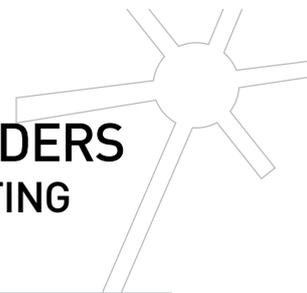
To the extent Shares vest, they will be subject to sale restrictions for 6, 9, 12 and 15 months respectively as outlined in the tables.

<b>TRANCHE A (applies to 50% of the total number of Shares to be issued to Directors)</b>		
Measures and hurdles	Vesting period	Vested Shares can be sold after:
(i) EBIT of \$5m for 12 months ending 31 December 2018; and (ii) a Share Price Hurdle of \$4.50 by 31 December 2019 (this hurdle must be reached on at least 30 trading days, not necessarily consecutive, by 31 December 2019)	The period of 2 calendar years ending 31 December 2019	30 June 2020 (25% of Vested Shares)
		30 September 2020 (50% of Vested Shares)
		31 December 2020 (75% of Vested Shares)
		31 March 2021 (100% of Vested Shares)

<b>TRANCHE B (applies to 50% of the total number of Shares to be issued to Directors)</b>		
Measures and hurdles	Vesting period	Vested Shares can be sold after:
(i) EBIT of \$15m for 12 months ending 31 December 2019; and (ii) a Share Price Hurdle of \$7.50 by 31 December 2021 (this hurdle must be reached on at least 30 trading days, not necessarily consecutive, by 31 December 2021)	The period of 4 calendar years ending 31 December 2021	30 June 2022 (25% of Vested Shares)
		30 September 2022 (50% of Vested Shares)
		31 December 2022 (75% of Vested Shares)
		31 March 2023 (100% of Vested Shares)

If the above Vesting Conditions are not satisfied, or if the Board determines that they cannot be satisfied, Directors will forfeit their unvested Shares (unless the Board exercises its discretion to permit those Shares to vest in accordance with the terms of the LFSP).

# EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING



In accordance with ASX Listing Rules 10.14 and 10.15 and the Corporations Act, the following information is provided in relation to proposed participation in the LFSP by Directors:

Maximum number of securities to be issued and loan value:	<p>Mr Greene will be issued 2,000,000 Shares.</p> <p>Non-executive Directors will each be issued 200,000 Shares.</p> <p>The exact value of the Loan to be made to Directors to purchase the Shares will be an amount equal to the number of Shares issued x 'Issue Price' (which will be determined in the manner described below).</p>
Price at which the securities will be issued:	<p>The 'Issue Price' of each Share to be issued to Directors will be the 'Market Value' of a Share on the date of issue.</p> <p>For the purposes of determining the Issue Price of each Share, the Board has determined that 'Market Value' will be the 20 day volume weighted average price of Shares up to and including the trading day immediately prior to the date of issue (that is, the 20 most recent trading days on the ASX).</p>
The date by which the Company will issue the Shares:	<p>The Board has resolved to issue the Shares to Directors as soon as practicable following the AGM, subject to shareholders approving the relevant resolutions, and in any case not later than 12 months after the date of the meeting.</p>
Terms of any loan in relation to the acquisition of Loan Funded Shares:	<p>The terms of the Loan granted to Directors will be subject to the same conditions as those that apply to other Participants, as outlined in this Explanatory Memorandum.</p>
Information required under ASX Listing Rule 10.15.4A	<p>All the Directors of the Company, as listed above, are eligible to participate in the LFSP</p>



# PROXY FORM

I/We \_\_\_\_\_

(BLOCK LETTERS)

of \_\_\_\_\_

being the holder of \_\_\_\_\_ ordinary shares in Electro Optic Systems Holdings Limited hereby appoint:

**SECTION A: Complete if you desire to appoint ONE proxy.\***

Name: \_\_\_\_\_

of: \_\_\_\_\_

**SECTION B: Complete if you desire to appoint TWO proxies.\*\***

Name: \_\_\_\_\_

of: \_\_\_\_\_

to exercise \_\_\_\_\_ % of my voting rights; and

Name: \_\_\_\_\_

of: \_\_\_\_\_

to exercise \_\_\_\_\_ % of my voting rights.

+ or failing him or her, the Chairman of the meeting as my proxy to vote and act for me and on my behalf at the **ANNUAL GENERAL MEETING** of Electro Optic Systems Holdings Limited to be held on Tuesday 24 April 2018 and any adjournment thereof. The Chairman of the meeting intends to vote in favour of the resolution in relation to any undirected proxies.

## Direction to proxy

Mark one of the three boxes for each resolution if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

If the Chairman of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of the resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution/s and that votes cast by him for those resolutions other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called for on the resolution.

Ordinary Resolutions	In favour of the resolution	Against the resolution	Abstain
1. No vote required	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Appointment of Mr Ian Dennis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Appointment of Mr Geoff Brown as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Appointment of Ms Kate Lundy as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Ratification of share placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval of Loan Funded Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



# PROXY FORM

Ordinary Resolutions	In favour of the resolution	Against the resolution	Abstain
8. Loan funded Share Plan approval for Fred Bart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Loan funded Share Plan approval for Ben Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Loan funded Share Plan approval for Peter Leahy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Loan funded Share Plan approval for Ian Dennis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Loan funded Share Plan approval for Geoff Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Loan funded Share Plan approval for Kate Lundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Signature of Shareholder(s)

## NOTES ON PROXY FORMS FOR THE ANNUAL GENERAL MEETING

### Notes on Completion of Proxy Forms

- \* Complete section A if you desire to appoint one proxy.
- \*\* Complete section B if you desire to appoint two proxies.
- + Delete if the Chairman is not to be a proxy.

### Signing of the proxy form

Each person registered as the holder of the above shares must sign the proxy form personally or by a duly appointed attorney or agent.

If a proxy is given by a corporation, a form of proxy must be executed under common seal of the corporation or under the hand of its attorney.

If a proxy is executed by an attorney of a member the attorney must declare that the attorney has no notice of revocation of the power of attorney and the relevant power of attorney if it has not already been noted by the company, must accompany the form of proxy.

### Entitlement to appoint proxies

A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies who need not be members of the Company.

Where more than one proxy is appointed each proxy must be appointed to represent a specific proportion of the member's voting rights. A proxy need not be a member of the Company.

### Lodgement of Proxy Form

Forms to appoint proxies must be lodged with the Company not later than 9.30 am on Friday 20 April 2018 at the Registered Office of Electro Optic Systems Holdings Limited at Suite 3, Level 12, 75 Elizabeth Street, Sydney, NSW 2000.

Proxies may also be faxed to the Registered Office of Electro Optic Systems Holdings Limited on (02) 9232 3411.

Proxies may also be emailed to the Company Secretary of Electro Optic Systems Holdings Limited at [iandennis@eos-aus.com](mailto:iandennis@eos-aus.com)

### Point at which Voting Rights are Determined

*Regulation 7.11 of the Corporations Act permits the Company to specify a time, not more than 48 hours before the meeting, at which a "snap-shot" of members will be taken for the purposes of determining member entitlements to vote at the meeting.*

The Company's Directors have passed a resolution to the effect that all shares of the Company that are quoted on the ASX at 20 April 2018 at 9.30 am shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the shares at that time.

### Corporate Representative

In order to vote on behalf of a company that is a member of the Company, a valid Appointment of Corporate Representative form must be either lodged with the Company prior to the General Meeting or be presented at the meeting before registering on the Attendee Register for the Annual General Meeting. An Appointment of Corporate Representative form is enclosed if required.



## NOTICE OF ANNUAL GENERAL MEETING

### APPOINTMENT OF A CORPORATE REPRESENTATIVE

#### Section 250D of the Corporations Act

This is to certify that by a resolution of the Directors of:

\_\_\_\_\_ (Company)

Insert name of Shareholder

The Company has appointed:

\_\_\_\_\_

Insert name of Corporation Representative

In accordance with the provisions of section 250D of the Corporations Act, to act as the body corporate representative of that company at the meeting of Electro Optic Systems Holdings Limited to be held on Tuesday 24 April 2018 and at any adjournments of that meeting.

#### DATED

Executed by the Company (In accordance with its constituent documents).

\_\_\_\_\_  
Signed by an authorised representative

\_\_\_\_\_  
Signed by an authorised representative

\_\_\_\_\_  
Name of authorised representative [print]

\_\_\_\_\_  
Name of authorised representative [print]

\_\_\_\_\_  
Position of authorised representative [print]

\_\_\_\_\_  
Position of authorised representative [print]

#### INSTRUCTIONS FOR COMPLETION

Under Australian law, an appointment of a body corporate representative will only be valid if the Certificate of Appointment is completed precisely and accurately.

Please follow the instructions below to complete the Certificate of Appointment:

1. Execute the Certificate following the procedure required by your Constitution or other constituent documents.
2. Print the name and position (eg director) of each company officer who signs this Certificate on behalf of the company.
3. Insert the date of execution where indicated.

Send or deliver the certificate to the Registered Office of Electro Optic Systems Holdings Limited at Suite 3, Level 12, 75 Elizabeth Street Sydney, NSW 2000 or faxed to the Registered Office on (02) 9232 3411.